

State of California Consolidated Plan 2000-2005
FY 2000-2001 Annual Plan
Executive Summary
May 2000

CITIZENS' SUMMARY

California is one of the nation's largest and most populous states. The State's population has been growing at twice the national average, creating complex and dynamic urban environments. California possesses a resilient economy comprised of industry and services, such as: agriculture and forestry, entertainment, tourism, hardware and software computer technology, government, finance, real estate and foreign trade. To meet future demands, the State must guide its communities in community planning that responds to the growing demand for affordable housing, neighborhood revitalization and economic development.

Action Plan

The State of California's five year Consolidated Plan FY's 2000-2005 and the Annual Plan for FY 2000-2001 presents a strategic vision for housing and community development. The program year for administration of these funds runs from July through June. It includes a One-Year Action Plan for spending approximately \$98 million of Community Development Block Grant (CDBG), Home Investment Partnership Program (HOME), Emergency Shelter Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) funds. These funds will primarily be spent on affordable housing and neighborhood revitalization activities, which principally include housing rehabilitation, first-time homebuyer assistance, new construction, public infrastructure improvements and economic development initiatives.

Citizen Participation

The State Department of Housing and Community Development (HCD) administers the public review process for the annual updates to the Consolidated Plan. The State provides opportunity for public review and comment of amendments to the Plan in September (prior to the annual report or CAPER) and April (on the draft update) of each year. This includes public notice, posting on HCD's website, and public hearings held in various locations in the State. Opportunities for public comment relative to the programs is also offered during outreach workshops and training, and during the regulatory amendment process.

STATE PROFILE

Historically California has been one of the fastest growing states in the nation. A major factor influencing the demand for housing is the age of the adult population. The oldest and youngest residents are likely to live alone and in small units, while the middle-aged

are in the midst of raising families and need larger units. By the year 2020, the 65-69 year-old "baby boomers" will be the dominant age-cohort in the housing market, demanding yet another change in housing size.

California's Hispanic and Asian populations will grow faster than the rest of the population. During the 1990s the Hispanic population will increase from 19.2 percent to 25.8 percent of the State's population. Non-Hispanic "Asian and Other" are projected to increase from 6.7 percent to 11.7 percent of the population. Proportionally, the non-Hispanic black population will decrease slightly from 7.1 percent to 6.4 percent, while the share of non-Hispanic white population is expected to substantially decrease: from 66.6 percent in the 1980s to 57.4 percent in the 1990s.

HOUSING AND COMMUNITY DEVELOPMENT NEEDS

Conditions

California housing is provided through a diverse set of local markets. From the mountain areas, heavily influenced by high seasonal demand, to the Central Valley, with relatively high vacancy rates and significant concentrations of farmworkers, to the extremely "hot" Bay Area market, to the very populous and diverse Greater Los Angeles Region, the performance and condition of housing markets vary widely.

Demand for housing is growing. From the beginning of 1997 through mid-2003, the State will need 1.1 – 1.2 million additional housing units. Demand for housing has been fueled by a return to migration into the State, coupled with the continued growth of individuals in household forming ages. These circumstances, combined with an ongoing trend for smaller and older households, will continue.

Yet housing production has lagged. There appears to be a growing gap, however, between what the market can provide and what is needed for sustaining the State's economic growth. Housing production in the State has lagged the rates of the 1980s by more than 50 percent; average annual residential building permits fell from over 200,000 in the 1980s to approximately 100,000 from 1990 to 1997. Metropolitan markets in particular, have not kept pace with demand. The greatest shortfall has been in multifamily construction, which constituted only 24 percent of residential permits during the 1990 to 1997 period.

While non-metropolitan housing markets have generally experienced increased vacancy levels during the 1990s, metropolitan housing markets have generally not kept pace with housing demand.

Despite the concentration of construction in single-family housing through this decade, declines in home prices in many areas of the State (particularly in the early part of the decade), and low interest rates, the State's homeownership rate remains among the lowest in the country, significantly below the national rate. Many of these owners face high cost

burdens – nearly a third of the State’s homeowners spend more than 30 percent of their income on housing.

As of 1990, California was one of only two states with median rents exceeding \$600. The already high rent levels rose in 1990s in much of the State, with particularly steep increases in the San Francisco Bay Area from 1995 to 1997. Given the increase in lower-income households in the State and ongoing declines in lower priced rentals, there are strong price pressures on lower priced urban rental units.

It is evident that renter cost burdens pose a significant problem. Statewide, more than two million households – nearly half of all renters – paid more than 30 percent of their income on housing. These estimates highlight one of the most critical challenges in California – the need for an ongoing effort to create additional rental housing within the State.

Overcrowding within the State has been on the rise since 1980. By 1990, more than 1.2 million households within the State experienced overcrowded housing conditions. Hispanic households experience the greatest rates of overcrowding, accounting for over three-quarters of severely overcrowded households and 68 percent of all overcrowded households.

As the State’s 12 million housing units age, rehabilitation and repair needs are increasing. It is estimated that approximately 12 percent of the overall housing stock is in need of rehabilitation, although the proportion of such needs vary widely within different areas of the State. Rehabilitation needs are most concentrated in the rental housing stock.

A substantial portion of publicly-assisted affordable rental housing developments statewide are at-risk of conversion to market rate use. Developments that have had project-based federal assistance such as Section 8 rental contracts and low-interest mortgages are subject to reduced federal support and or release of low-income use restrictions.

Farmworkers and their families face unique housing issues within the State. An estimated 850,000 farmworkers (with a total household population of approximately 1.35 million individuals) support the California agricultural economy.

Although inherently difficult to quantify, the State’s homeless population in 1997 was estimated at more than 360,000 persons, about 1.1 percent of the State’s population in 1997.

Housing Needs

Critical housing needs identified in the Consolidated Plan are: the needs of low-income renters, low-income homeowners, homeless persons and persons with supportive housing needs. Each of these groups are affected by: overcrowded conditions, an inadequate supply of standard housing and housing affordability issues.

Public and Assisted Housing Needs

The State of California does not own or operate public housing; public housing is administered directly through local Public Housing Agencies (PHA). Therefore, the HCD has no involvement with public housing residents. For those jurisdiction's that do not have a PHA, HCD has a Housing Assistance Program (HAP) that administers the Section 8 program in those counties. HCD acts as the PHA for this purpose, for twelve counties that do not have a housing agency. The counties are listed below:

Alpine	Amador	Calaveras	Colusa	Glenn	Inyo
Modoc	Mono	Sierra	Siskiyou	Trinity	Tuolumne

Barriers to Affordable Housing

Lack of affordable housing is the most widespread housing problem in the State. The State acknowledges that tax policies, public referenda for public housing, rent control, impact fees, building codes, and land use controls affect affordable housing development. Through a substantial number of statutory provisions applicable to local governments, including the Housing Element, the State works to reduce barriers and increase affordable housing development. Moreover, housing affordability has been found, among other concerns, to be detrimental to the State's business and employment growth. As a result, increased efforts to simplify and streamline planning and permitting are underway.

Fair Housing

There are no current court orders, consent decrees, or HUD-imposed sanctions that affect the provision of fair housing remedies by the State. The State has assessed impediments to fair housing access and the Plans both includes actions the State will pursue to address the impediments.

Lead-Based Paint Hazards

In California, the Department of Health Services (DHS) estimated that there are over 3 million households with lead-based paint hazards. California's pre-1978 stock units are estimated at 8,633,050, as well as 2,211,243 pre-1950 units, as housing units constructed prior to 1950 have been found to have some of the highest levels of lead-based paint. DHS estimates that 2,027,722 low-income units are likely to contain lead-based paint hazards

Through its HUD grants, the Department of Community Services and Development (CSD) has established a targeted abatement program implemented through a network of community-based weatherization program contractors. As a part of the HUD funding, the CSD has undertaken various research and education and outreach efforts.

Community Development Needs

Among the State's key resources for addressing non-housing community development needs (NHCD) are CDBG funds. Areas of needs have been identified as: planning; public works and infrastructure such as, improved sewer and water systems; technical assistance to increase local or nonprofit capacity; credit to finance business expansion; a fostering of microenterprise and macro economic development; and, other services associated with the development of human capital, such as gainful employment for the at-risk population, adult education and vocational training programs, self-sufficiency programs and intensive case management, affordable child care and educational pre-school programs, retraining for displaced workers, emergency assistance for at-risk families and individuals, and infrastructure and accessible transportation improvements.

Coordination

The Consolidated Plan process has increased coordination among State agencies and departments; e.g., HCD, responsible for the CDBG and HOME programs; the California Housing Finance Agency (CHFA); the Department of Economic Opportunity (DEO); and, DHS. DEO leads the State's homeless response. DHS will administer the HOPWA funds. The State also coordinates a Working Group, comprised of a variety of participants, who together discuss anti-poverty issues and funding resources. The State has also increased its contact with private and nonprofit agencies that work in the housing and economic development fields.

HOUSING AND COMMUNITY DEVELOPMENT STRATEGY

Housing and Community Development Objectives and Priorities

The State's strategy to reduce the negative effects of relevant public policies include a broad array of policies and programs facilitating the development of new housing, preservation of existing housing and neighborhoods, and reduction of housing costs.

The State's five-year strategy describes a series of general responses to the housing and NHCD needs. However, specific strategies will be developed by the local jurisdictions that apply for assistance through the State's competitive application process. The State's housing strategies are intended to guide jurisdictions in developing housing projects that serve low- and moderate-income family households, special needs groups, families in danger of homelessness and first-time home buyers. Non-housing strategies are intended to guide jurisdictions and recipients in accomplishing economic diversification, job creation, improved public infrastructure and facilities and the implementation of anti-poverty strategies that include microenterprise development.

Housing Priorities

The State's housing strategy will focus on three primary objectives: the needs of low-income renters, low-income homeowners, homeless and households requiring supportive services. The State relies on local governments and community organizations to identify the most pressing local needs and to determine the most effective approach to addressing those needs. Therefore, actions described by the State in its Consolidated Plan are broad, largely due to the method of distribution of its resources via a competitive application process. To be competitive, each recipient must provide detailed strategies and action plans that are consistent with the State's overall strategies.

Priorities for affordable housing include increasing the supply of affordable housing, reducing housing cost burdens for low-income households, improving the living environments of low-income residents, increasing housing choice for low-income and minority residents, and, addressing the unique needs of large families, the elderly, and persons with disabilities. The State's housing priorities and strategies reflect those conditions and focus on maintaining and increasing the supply of affordable housing. The State's Consolidated Plan also includes strategies for addressing the need for permanent farmworker housing and housing located in Colonias.

The State will continue to support an extensive system of services that provide institutional care, client-based community or residential services, and housing-based supportive services. The State will coordinate the activities of service and housing providers at all levels of government and among nonprofit and community organizations. The underlying State goal is to promote self-sufficiency and facilitate a provision of transitional and permanent housing. The priority for non-homeless persons with special needs is supportive housing or housing linked to supportive services for the frail elderly, disabled persons with HIV/AIDS, and other persons with special needs.

Non-Housing Community Development (NHCD) Priorities

A substantial portion (30 percent) of the State's CDBG funds are allocated to NHCD priorities and activities. Two models are used to carry out economic development initiatives: the Enterprise Fund, which provides funds to carry out locally revolving loan programs; and, the Over the Counter Fund, which provides funding for specific one-time projects. Each program is designed to bring needed services to neighborhoods or create or retain jobs, principally for low- and moderate-income persons. CDBG funded planning and technical assistance grants will also be awarded to jurisdictions in need of building capacity, planning for public improvements and in desire of expanding economic opportunities for low-income persons.

Antipoverty Strategy

The State has established several goals to reduce poverty among its population:

- Provide a range of services and activities through its federal and State programs that have a measurable impact on conditions of poverty.

- Provide activities through its programs and services to assist low-income participants, including the elderly poor, to secure and retain employment, gain an adequate education, obtain and maintain adequate housing, obtain emergency assistance to meet immediate and urgent individual and family needs, including health services, housing and employment; and remove obstacles blocking the achievement of self-sufficiency. Support the youth aging out of foster care programs as well as the economic factors of employment opportunities through the EDBG programs.
- Encourage the private sector to become involved in effort to alleviate poverty.

Several State departments administer programs that directly respond to the needs of those individuals/families in poverty. These programs are continually assessed to determine their effectiveness and appropriateness in meeting the needs and providing the resources the need to break the cycle of poverty. The goal of these programs is the acquisition of skills, knowledge and motivation necessary for California's poor to become self-sufficient. To meet the needs of the low-income population, HCD continues to target funding priorities and objectives through its various service programs.

Housing and Community Development Resources

California receives formula entitlement funds under four federal programs: CDBG, HOME, ESG and HOPWA Program. Additional resources are available from State programs, local programs, and private and nonprofit organizations. The State HCD is responsible for approximately 20 active grant and loan programs that address a range of needs. Many local communities have redevelopment projects, which are funded through tax increment financing. State law requires that 20 percent of these funds be set aside to finance housing for very low-, low- and moderate-income households. Private lenders and builders provide an array resources and services in association with housing and community development, as do many nonprofits throughout the State.

Coordination of Strategic Plan

The State has benefited from the Consolidated Planning process through enhanced coordination between its administering departments and their constituents. The State will implement its strategies and action plans by fostering, encouraging and directing its recipients to take specific actions linked to the State's priority needs.

ONE-YEAR ACTION PLAN

Description of Key Projects

1. Meet the housing needs of low-income renter households, including provide homeownership opportunities for first-time homebuyers. The State will use CDBG and HOME funds to support this objective by undertaking activities, such as: housing rehabilitation, acquisition, tenant-based rental assistance, new construction of both

rental and ownership housing, and public infrastructure and economic development projects.

2. Meet the housing needs of low-income homeowner households. HOME and CDBG funds will be used for rehabilitation and repair, new construction and homeowner assistance.
3. Meet the housing and supportive housing needs of the homeless and other special needs groups. State and federal resources will be used to undertake activities that will prevent homelessness through provisions of institutional care, client-based services and housing-based supportive services.

Locations

The funds are allocated statewide principally by a competitive application process, open to jurisdictions which do not qualify to receive federal funds directly from HUD (i.e., non-entitlement communities).

Housing Goals (To Combat Poverty)

Because the State primarily distributes funds to local jurisdictions and community development organizations who administer their own programs, the State does not link discrete activities to its Consolidated Plan priorities and strategies. Instead, the State provides policy guidance and sets minimum requirements for State recipients, who in turn carry out specific action plans responsive to local needs and consistent with the State's overall housing strategy.

Overall, the housing programs administered by HCD's Division of Community Affairs will combat poverty by increasing income through the development of housing with employment and economic development components, or economic development assistance. The State-administered housing programs are utilized in conjunction with employment training. And, as discussed in the housing strategies above, the State will foster relationships with local communities in order to meet its housing goals.